

# MARKET REPORT

Office  
Las Vegas Metro Area

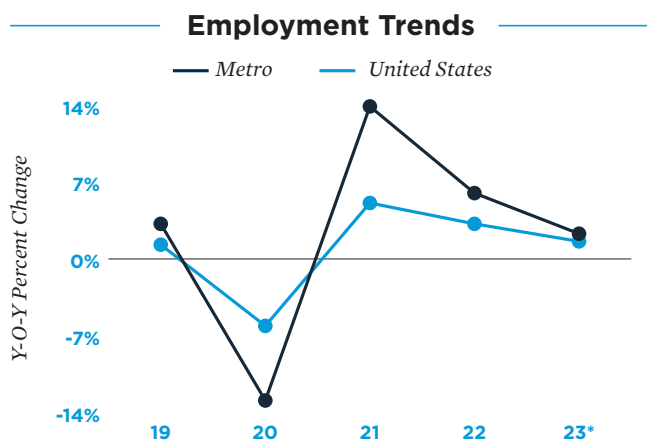
IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS

4Q/23

## Positive Absorption Across Property Tiers Reflects Encouraging Demand for Las Vegas Office Space

**Standout job tally a boon for leasing velocity.** Las Vegas was the only major Southwest office market to register vacancy compression over the past year ended in June. The metro's number of traditionally office-using roles, which reached a record mark this June, has fueled demand for space of various quality, despite some companies' adoption of hybrid work. Vacancy across property tiers reflects this. Entering July, the Class B/C rate stood at 12 percent, after a 100-basis-point decline over the prior four quarters. The Class A sector noted positive net absorption during the same interval, with vacancy 410 basis points below the national mean. However, the upper-tier segment will face some slight supply-induced headwinds, as more than 400,000 square feet is slated for second half delivery, most of which was available as of August. Still, overall vacancy is expected to end the year 400 basis points below the metro's long-term average.

**Duo largely to credit for metro's historically low rate.** The bordering submarkets of Southwest and West Las Vegas, accounting for one-third of the market's stock, both entered July with sub-9 percent vacancy. These rates are impressive when lined up against each area's long-term average of 17.6 and 16.8 percent, respectively. Of late, leasing here has been concentrated near the Bruce Woodbury Beltway, with the high volume of 3- to 10-year agreements providing near-term stability for both zones. This holds especially true for West Las Vegas, where a nominal volume of space is underway.



\* Forecast

Sources: BLS; CoStar Group, Inc.

## Office 2023 Outlook



**25,000  
JOBS**

*will be created*

### EMPLOYMENT:

Positive hiring was recorded in seven of the first eight months of 2023, with 5,900 traditionally office-using roles added during this span. By year-end, the count of these positions is expected to be up 3.1 percent annually.



**630,000  
SQ. FT.**

*will be completed*

### CONSTRUCTION:

For the fifth time in the past seven years, Las Vegas' office stock will expand by at least 1.1 percent. Apart from deliveries in Southwest Las Vegas, speculative completions are minimal during 2023.



**120  
BASIS POINT**

*increase in vacancy*

### VACANCY:

The metro's vacant stock expands for the first time in the past three years, as supply additions outpace demand. Still, Las Vegas ranks as the nation's ninth-tightest office market, with a year-end rate of 12.9 percent.



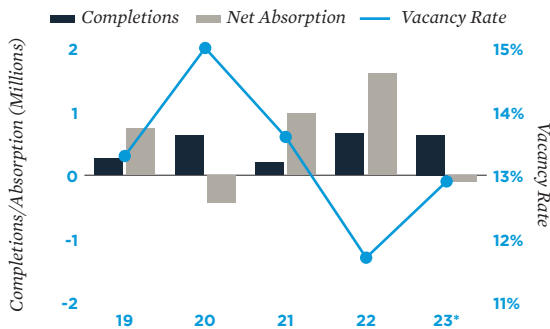
**1.8%  
INCREASE**

*in asking rent*

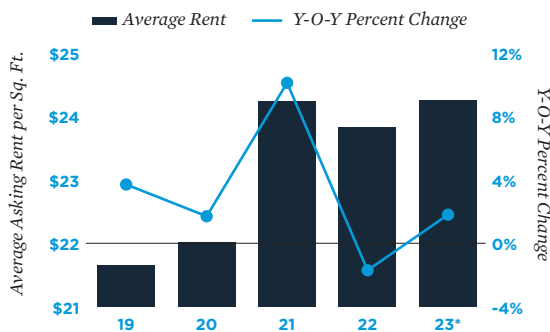
### RENT:

An increase in available Class A space supports a pace of rent growth that negates the 1.7 percent drop recorded in 2022. At \$24.25 per square foot, the metro's year-end asking rate is its highest since 2009.

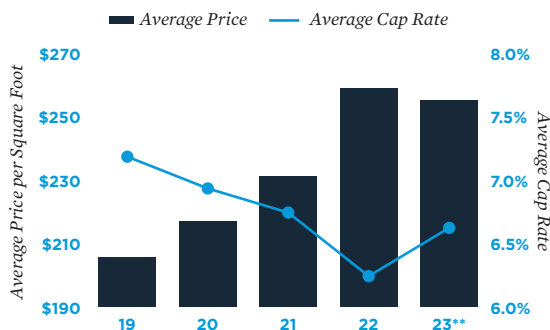
### Supply and Demand



### Rent Trends



### Sales Trends



\* Forecast \*\* Through 2Q

Sources: CoStar Group, Inc.; Real Capital Analytics

#### IPA Office

##### Al Pontius

Senior Vice President, Director

Tel: (415) 963-3000 | apontius@ipausa.com

For information on national office trends, contact:

##### John Chang

Senior Vice President, Director | Research & Advisory Services

Tel: (602) 707-9700 | jchang@ipausa.com

Price: \$250

## 2Q 2023 - 12-Month Period



### CONSTRUCTION

**783,000 sq. ft. completed**

- Developers expanded Las Vegas' office inventory by 1.4 percent over the 12-month span ending in June; however, just 50,000 square feet was added during the second quarter of this year.
- As of early September, the metro's active pipeline included at least 400,000 square feet of space slated for completion beyond this year.



### VACANCY

**70 basis point decrease in vacancy Y-O-Y**

- In the latter months of 2022 vacancy reached its lowest point since at least 2007. Over the subsequent six months, the rate rose 70 basis points to 12.4 percent, which is 450 basis points below the metro's long-term average.
- Of the six submarkets with more than 4 million square feet of stock, four noted vacancy compression during the yearlong stretch ending in June.



### RENT

**1.0% increase in the average asking rent Y-O-Y**

- For a second consecutive 12-month period ending in June, Las Vegas' mean asking rent rose moderately, reaching \$24.14 per square foot.
- The average marketed rate for Class A space rose 1.8 percent, while the Class B/C asking rent inched up 0.6 percent. Still, both segments' average rates trailed their prior peaks by more than 6 percent at the onset of July.

## Investment Highlights

- Higher interest rates and uncertainty surrounding employers' future office needs slowed deal flow over the 12-month interval ending in June, with sales velocity down nearly 25 percent year-over-year. While trading tempered, transaction activity in the \$10 million-plus range was unchanged, signaling institutional-level confidence in the metro's long-term prospects.
- Approximately three-fourths of recent deal flow involved 1990s- and post-2000-built Class B properties, most with fewer than 10 tenants. These trades were highly concentrated in Southwest, South and Northwest Las Vegas — the metro's largest submarkets by stock — with pricing below \$300 per square foot and cap rates in the mid-5 to low-7 percent range common. Preliminary data from the third quarter reflects similar sales trends.
- The metro's number of health care and social assistance roles reached a record mark in May of this year, sector growth that is fueling both tenant and investor demand for medical office space. Over the past year, Nevada-based buyers accounted for the bulk of these acquisitions. Moving forward, the investor pool may diversify, as the expected addition of nearly 240,000 residents over the next five years will lift health providers' demand for space.

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice. Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics

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